



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

Capitol Plaza Building, PO Box 40912 • Olympia, Washington 98504-0912 • (360) 570-6100

April 10, 2006

TO: Representative Jim McIntire, Chair
Senator Joseph Zarelli
Senator Mark Doumit
Representative Ed Orcutt
Victor Moore, OFM, Director
Cindi Holmstrom, DOR, Director

FROM: ChangMook Sohn, Executive Director
Economic and Revenue Forecast Council

SUBJECT: April 10, 2006 REVENUE COLLECTION REPORT

General Fund-State (GFS) collections totaled \$812.8 million in the March 11–April 10, 2006 collection period. Revenue collections indicate that the economy continues to strengthen. Revenue growth this month was very strong and tax payments once again exceeded expectations. Receipts for the current period were \$48.5 million (6.3 percent) above the estimate. As was the case last month, Revenue Act taxes (sales, business and occupation, use, and public utility), accounted for the majority of the positive variance (\$33.3 million). Real estate excise tax payments were also, again, significantly higher than expected (+11.3 million). Other major taxes with GFS tax payments higher than expected this month include: the cigarette tax (+\$1.4 million), the estate tax (\$676,000), and the “other” taxes (+2.5 million), primarily, unclaimed property transfers, leasehold excise the nursing home fees. Cumulatively, for the two months since the February forecast GFS tax payments are \$83.0 million (5.4 percent) higher than expected.

Recent economic news indicates solid economic growth. The U.S. economy added 211,000 jobs in March, about what most economists had expected. This was similar to last month’s 225,000 increase. The March U.S. unemployment rate dropped back to a five-year low of 4.7 percent. Other positive news includes the report from the Conference Board that their Index of Consumer Confidence, which declined last month, rebounded strongly in March. The index is now the highest since April 2002. Less bullish is the Conference Board reported that the U.S. Index of Leading Indicators decreased 0.2 percent in February. However, the index had increased for four consecutive months prior to the February decline and had increased 1.5 percent from August 2005 to February 2006 despite the dip in February.

Revenue Act collections were \$33.3 million higher than expected this month. Payments included a large (\$3.4 million) and unexpected audit payment; however, the vast majority of the variance is due to stronger than expected economic growth. Tax payments this period primarily reflect February 2006 activity of monthly taxpayers. Revenue Act receipts this month were 12.6 percent higher than a year ago. This was the strongest growth since January 2005. Last month Revenue Act receipts increased 11.7 percent-revised. Revenue growth continues to significantly exceed income growth and the growth of U.S. retail

sales. For the first eight months of fiscal 2006, Revenue Act collections are a remarkable 11.0 percent higher than a year-ago. Income is about 6.8 percent higher and U.S. retail sales are 7.4 percent higher for the same period.

Preliminary information on tax payments by industry for the current period continues to show solid growth across the board. Tax payments by firms in the retail trade and food services sector increased 6.0 percent. Last month tax payments from firms in the retailing sector increased 8.0 percent. Three retailing categories reported double-digit increases: non-store retailers (+12.7 percent), building materials and garden stores (+11.6 percent), and gas stations and convenience stores (+11.5 percent). Auto dealers, the largest retailing sector, reported only a 2.5 percent increase, the weakest among retailing sectors; last month this sector was up only 1.7 percent. Overall, tax payments of firms in non-retail trade and food services sectors were 8.2 percent higher than a year ago. Last month this category reported an 11.4 percent increase. Construction remained strong, with tax payment in this sector 17.0 percent higher than a year-ago. Last month this sector reported a 19.2 percent increase. The strength of real estate activity still has a major impact on overall revenue growth. Tax payments of firms in construction and housing related sectors increased 12.6 percent in January compared to 5.8 percent for all other sectors.

Non-Revenue Act General Fund taxes were \$15.4 million above the estimate for the month. Real estate excise tax payments were again strong and significantly higher (+\$11.3 million) than anticipated. Most other Non-Revenue Act taxes were also higher than expected this month. Cumulatively for the two months since the February forecast, Non-Revenue Act taxes are \$17.6 million more than expected, with real estate excise taxes accounting for \$15.6 million.

Although rising mortgage rates are slowing home sales, strong demand is keeping prices strong. Taxable real estate activity in the most recent month (closings in February which reflect tax payments to the state in March 2006) were 23.2 percent higher than a year-ago. In the prior month, activity increased 24.8 percent. While there was some weakness in the number of transactions, the value per transaction remains very strong. For the month, the number of transactions was 2.2 percent below the year-ago level. Last month transactions declined 6.5 percent. While this is the third straight month that the number of transactions has declined; the value per transaction was up 25.9 percent for the month. Last month the value per transaction increased 33.4 percent.

Department of Licensing General Fund-State collections, which primarily reflect payments of various licenses and fees, were \$56,000 above the estimate for the month and are \$293,000 higher than expected in the two months since the February forecast.

The attached Table 1 provides a comparison of collections with the February 2006 forecast for the March 11, 2006 – April 10, 2006 collection period. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

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Attachments

TABLE 1
Revenue Collection Report
April 10, 2006 Collections Compared to the February 2006 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
March 11 - April 10, 2006				
Department of Revenue-Total	\$763,858	\$812,555	\$48,697	6.4%
Revenue Act** (1)	698,069	731,409	33,339	4.8%
Non-Revenue Act(2)	65,788	81,146	15,358	23.3%
Liquor Sales/Liter	10,007	10,366	359	3.6%
Cigarette	3,714	5,125	1,411	38.0%
Property (State School Levy)	(538)	(1,385)	(847)	157.3%
Estate	89	765	676	NC
Real Estate Excise	47,010	58,297	11,287	24.0%
Timber (state share)	0	0	0	NA
Other	5,506	7,978	2,472	44.9%
Department of Licensing (2)	448	203	(246)	-54.8%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$764,306	\$812,757	\$48,451	6.3%
Cumulative Variance Since the February 2006 Forecast (Feb. 11, 2006 - April 10, 2006)				
Department of Revenue-Total	\$1,527,380	1,610,396	83,016	5.4%
Revenue Act** (3)	1,394,264	1,459,716	65,452	4.7%
Non-Revenue Act(4)	133,116	150,680	17,564	13.2%
Liquor Sales/Liter	19,706	20,420	713	3.6%
Cigarette	7,329	7,978	649	8.9%
Property (State School Levy)	(16,141)	(17,565)	(1,424)	8.8%
Estate	178	691	513	NA
Real Estate Excise	103,192	118,769	15,578	15.1%
Timber (state share)	2,496	2,249	(246.8)	-9.9%
Other	16,356	18,138	1,782	10.9%
Department of Licensing (4)	660	652	(8)	-1.3%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,528,040	\$1,611,048	\$83,008	5.4%

1 Collections March 11 - April 10, 2006. Collections primarily reflect February 2006 activity of monthly taxpayers.

2 March, 2006 collections.

3 Cumulative collections, estimates and variance since the Feb. 2006 forecast; (February 11 - April 10, 2006) and revisions to history.

4 Cumulative collections, estimates and variance since the February 2006 forecast;(Feb. & March 2006 collections) and revisions to history.

5 Lottery transfers to the General Fund

* Based on the February 2006 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
March 10, 2006 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
February 11 - March 10, 2006				
Department of Revenue-Total	\$797,830	\$797,830	(\$0)	-0.0%
Revenue Act (1)	728,296	728,296	(0)	-0.0%
Non-Revenue Act(2)	69,534	69,534	0	0.0%
Liquor Sales/Liter	10,054	10,054	(0)	-0.0%
Cigarette	2,846	2,846	(0)	-0.0%
Property (State School Levy)-net	(16,181)	(16,181)	(0)	0.0%
Estate	(84)	(84)	(0)	0.0%
Real Estate Excise	60,500	60,500	0	0.0%
Timber (state share)	2,249	2,249	0	NA
Other	10,151	10,151	(0)	-0.0%
Department of Licensing (2)	504	504	(0)	-0.0%
Lottery (2)	0	0	0	NA
Total General Fund-State***	798,334	798,334	(\$0)	-0.0%

Cumulative Receipts: February 11 - March 10, 2006 & Revisions to History

Department of Revenue-Total	\$797,841	\$797,830	(\$11)	-0.0%
Revenue Act (3)	728,307	728,296	(11)	-0.0%
Non-Revenue Act(4)	69,534	69,534	0	0.0%
Liquor Sales/Liter	10,054	10,054	(0)	-0.0%
Cigarette	2,853	2,841	(12)	-0.4%
Property (State School Levy)-net after transfer	(16,180)	(16,181)	(1)	0.0%
Estate	(74)	(84)	(10)	13.6%
Real Estate Excise	60,472	60,500	28	0.0%
Timber (state share)	2,249	2,249	0	NA
Other	10,160	10,156	(4)	-0.0%
Department of Licensing (4)	449	504	55	12.2%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$798,291	\$798,334	\$43	0.0%

Preliminary. Reported in the March 10, 2006 collection report.

1 Collections Feb. 11 - March. 10, 2006. Collections primarily reflect January 2006 business activity of monthly taxpayers.

2 February 1-28, 2006 collections.

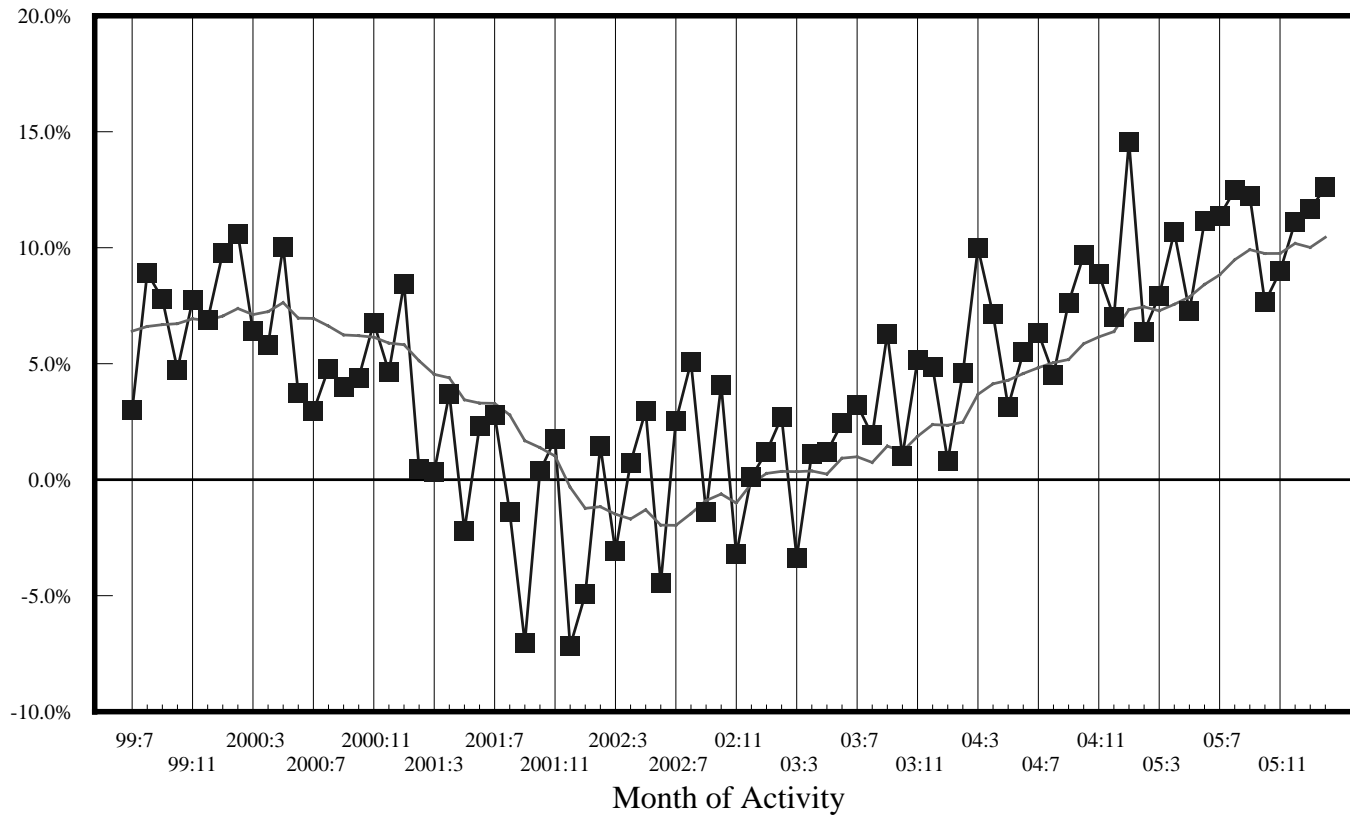
3 Cumulative receipts since the February 2006 forecast: Feb. 11-March 10,2006 & revisions to history.

4 Cumulative receipts since the Feb. 2005 forecast (Feb. 2006) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month

— %chya (12 month moving average)

*collections excluding new legislation and special factors